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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 10/1/05 AND ENDING 9/30/06
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Taylor Securities, Inc.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
100 Winners Circle, Suite 100

FIRM I.D. NO.

Brentwood TN 37027
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Barbara Tompkins (615) 372-1350
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

KraftCPAs PLLC

(Name - if individual, state last, first, middle name)

-555 Great Circle Road, Suite 200 Nashville TN 37228
(Address) (City) (State) (Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

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**THOMSON
FINANCIAL**

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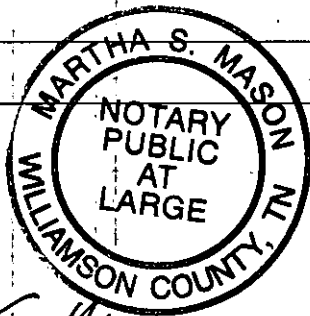
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, Barbara L. Tompkins, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Taylor Securities Inc, as of September 30, 2006, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



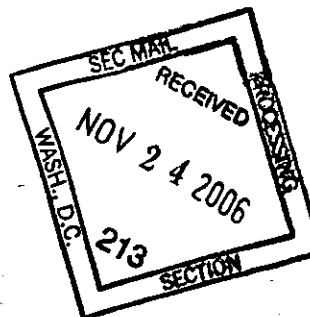
Barbara L. Tompkins
Signature
Secretary Treasurer
Title

Martha S. Mason
Notary Public

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☒ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



TAYLOR SECURITIES, INC.

FINANCIAL STATEMENTS, FORM X-17A-5, PART III,
SUPPLEMENTAL SCHEDULES,
AND
REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
SEPTEMBER 30, 2006 AND 2005

TAYLOR SECURITIES, INC.

FINANCIAL STATEMENTS, FORM X-17A-5, PART III,
SUPPLEMENTAL SCHEDULES,
AND
REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

SEPTEMBER 30, 2006 AND 2005

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES

Board of Directors
Taylor Securities, Inc.
Brentwood, Tennessee

We have audited the accompanying statements of financial condition of Taylor Securities, Inc. (the "Company") as of September 30, 2006 and 2005, and the related statements of operations, changes in stockholders' equity, and cash flows for the years then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Taylor Securities, Inc. as of September 30, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the supplemental schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KraftCPAs PLLC

Nashville, Tennessee
October 17, 2006

TAYLOR SECURITIES, INC.

STATEMENTS OF FINANCIAL CONDITION

SEPTEMBER 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 199,204	\$ 183,726
Deposit with clearing broker - Note 3	25,000	25,000
Commissions receivable	12,562	14,550
Other deposits	<u>704</u>	<u>-</u>
TOTAL CURRENT ASSETS	237,470	223,276
FURNITURE AND FIXTURES, NET - Note 4	<u>530</u>	<u>1,933</u>
TOTAL ASSETS	<u>\$ 238,000</u>	<u>\$ 225,209</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses - Note 5	<u>\$ 6,853</u>	<u>\$ 8,403</u>
STOCKHOLDERS' EQUITY		
Common stock, \$1 stated value; 2,000 shares authorized, 1,250 shares issued and outstanding	1,250	1,250
Additional paid-in capital	28,100	28,100
Retained earnings	<u>201,797</u>	<u>187,456</u>
TOTAL STOCKHOLDERS' EQUITY	<u>231,147</u>	<u>216,806</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 238,000</u>	<u>\$ 225,209</u>

The accompanying notes are an integral part of the financial statements.

TAYLOR SECURITIES, INC.

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
REVENUES		
Commissions	\$ - 1,071,932	\$ 955,236
Registered investment advisor fees	<u>282,090</u>	<u>300,359</u>
TOTAL REVENUES	1,354,022	1,255,595
OPERATING EXPENSES - Note 5	<u>1,351,652</u>	<u>1,255,482</u>
OPERATING INCOME	2,370	113
OTHER INCOME		
Interest and dividend income	<u>12,851</u>	<u>6,520</u>
EARNINGS BEFORE STATE INCOME TAXES	15,221	6,633
STATE INCOME TAX EXPENSE	<u>880</u>	<u>373</u>
NET EARNINGS	<u>\$ 14,341</u>	<u>\$ 6,260</u>

The accompanying notes are an integral part of the financial statements.

TAYLOR SECURITIES, INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005

	<u>COMMON STOCK</u>	<u>ADDITONAL PAID-IN CAPITAL</u>	<u>RETAINED EARNINGS</u>	<u>TOTAL STOCKHOLDERS' EQUITY</u>
BALANCE - OCTOBER 1, 2004	\$ 1,250	\$ 28,100	\$ 181,196	\$ 210,546
NET EARNINGS	-	-	6,260	6,260
BALANCE - SEPTEMBER 30, 2005	1,250	28,100	187,456	216,806
NET EARNINGS	-	-	14,341	14,341
BALANCE - SEPTEMBER 30, 2006	<u>\$ 1,250</u>	<u>\$ 28,100</u>	<u>\$ 201,797</u>	<u>\$ 231,147</u>

The accompanying notes are an integral part of the financial statements.

TAYLOR SECURITIES, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from securities companies and investors	\$ 1,356,011	\$ 1,260,684
Cash paid to suppliers and employees	(1,352,680)	(1,258,711)
Other deposits	(704)	
Other income received	<u>12,851</u>	<u>6,520</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>15,478</u>	<u>8,493</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	15,478	8,493
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>183,726</u>	<u>175,233</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 199,204</u>	<u>\$ 183,726</u>

RECONCILIATION OF NET EARNINGS TO NET CASH
PROVIDED BY OPERATING ACTIVITIES

Net earnings	\$ 14,341	\$ 6,260
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	1,403	1,403
(Increase) decrease in operating assets:		
Commissions receivable	1,988	5,089
Other deposits	(704)	
Decrease in operating liabilities:		
Accounts payable and accrued expenses	<u>(1,550)</u>	<u>(4,259)</u>
TOTAL ADJUSTMENTS	<u>1,137</u>	<u>2,233</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 15,478</u>	<u>\$ 8,493</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for:

Income taxes	<u>\$ 880</u>	<u>\$ 780</u>
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The accompanying notes are an integral part of the financial statements.

TAYLOR SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006 AND 2005

NOTE 1 - NATURE OF OPERATIONS

Taylor Securities, Inc. (the "Company") is engaged in the securities business, primarily handling mutual fund and bond trade transactions and providing investment advisory services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Cash and cash equivalents

The Company considers all highly liquid investments with original maturities of less than three months to be cash equivalents.

Furniture and fixtures

Furniture and fixtures are stated at cost. Depreciation is computed using the straight-line method over the 5-year estimated useful life of the assets.

Income taxes

The Company has elected to be taxed as an "S" corporation under the Internal Revenue Code. Accordingly, all federal taxable income and losses pass through to the individual stockholders for inclusion in their personal income tax returns, and the Company is only liable for state income taxes.

Temporary differences between the financial statement and income tax (cash method) bases of the Company's assets and liabilities are not significant. Accordingly, deferred state income taxes have not been recognized.

Securities transactions

Revenue and related clearing expenses from securities transactions are recorded on the trade date. All of the Company's trading activities are executed through and cleared by Raymond James and Associates, Inc. or by written subscription agreements between investment companies and investors, with the Company acting as introducing broker dealer.

Registered investment advisor fees

Registered investment advisor fees are recognized as earned on a pro rata basis over the term of the contract.

TAYLOR SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 2006 AND 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of risk

The Company generally maintains cash and cash equivalents on deposit at banks and brokers in excess of federally insured amounts. Financial Accounting Standards Board Statement No. 105 identifies this condition as a concentration of credit risk requiring disclosure. The Company has not experienced any losses in such accounts. In management's opinion, the risk is mitigated by use of high quality financial institutions.

NOTE 3 - DEPOSIT WITH CLEARING BROKER

The Company utilizes a clearing broker, Raymond James and Associates, Inc. ("Raymond James") for trading purposes. In connection with its correspondent clearing agreement with Raymond James, the Company has agreed to maintain a \$25,000 deposit account with Raymond James. The deposit is held in a Raymond James money market fund and is returnable to the Company within thirty days of termination of the correspondent clearing agreement. Therefore, the deposit has been classified as a current asset.

TAYLOR SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 2006 AND 2005

NOTE 4 - FURNITURE AND FIXTURES

Furniture and fixtures consist of the following at September 30:

	<u>2006</u>	<u>2005</u>
Furniture and fixtures	\$ 7,016	\$ 7,016
Accumulated depreciation	<u>(6,486)</u>	<u>(5,083)</u>
Furniture and fixtures, net	<u>\$ 530</u>	<u>\$ 1,933</u>

Depreciation expense was \$1,403 for 2006 and 2005, respectively.

NOTE 5 - RELATED PARTY TRANSACTIONS

Accounts payable to a stockholder for commissions totaled \$6,056 and \$7,927 at September 30, 2006 and 2005, respectively.

Total salaries, bonuses, and commissions included in operating expenses that were paid to stockholders amounted to \$1,040,258 and \$843,474 in 2006 and 2005, respectively.

The stockholders of the Company are also stockholders of an affiliate that provides office space, management and administrative service to the Company. Fees paid by the Company to the affiliate for these services amounted to \$298,566 and \$383,864 in 2006 and 2005, respectively.

NOTE 6 - NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital of \$50,000 and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. The rule of the "applicable" exchange also provides that equity capital may not be withdrawn if the resulting net capital ratio would exceed 10 to 1. At September 30, 2006, the Company had net capital as defined of \$228,106, which was \$178,106 in excess of its required net capital of \$50,000. The Company's net capital ratio was .03 to 1.

SUPPLEMENTAL SCHEDULES

TAYLOR SECURITIES, INC.

COMPUTATION OF NET CAPITAL

SEPTEMBER 30, 2006

TOTAL STOCKHOLDERS' EQUITY	\$ 231,147
LESS NONALLOWABLE ASSETS AND HAIRCUTS	
Furniture and equipment, net	530
Money market fund	-
Commissions due from brokers or dealers	-
Commissions due over 30 days	-
Haircuts - money market funds maintained with clearing broker at 2%	2,511
TOTAL NONALLOWABLE ASSETS AND HAIRCUTS	3,041
NET CAPITAL (AGREES TO COMPANY'S SEPTEMBER 30, 2006 UNAUDITED FOCUS REPORT - PART IIA)	\$ 228,106
NET CAPITAL REQUIRED	\$ 50,000
EXCESS NET CAPITAL	\$ 178,106
AGGREGATE INDEBTEDNESS	
Accounts payable and accrued expenses	\$ 6,853
TOTAL AGGREGATE INDEBTEDNESS	\$ 6,853
EXCESS NET CAPITAL AT 1000%	\$ 227,421
PERCENTAGE OF AGGREGATE INDEBTEDNESS TO NET CAPITAL	3.00 %

TAYLOR SECURITIES, INC.

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
PURSUANT TO RULE 15c3-3

SEPTEMBER 30, 2006

The Company is exempt from the requirements of Rule 15c3-3 under Section K(2)(ii) of the Rule.

TAYLOR SECURITIES, INC.

INFORMATION RELATING TO THE POSSESSION OR CONTROL
REQUIREMENTS UNDER RULE 15c3-3

SEPTEMBER 30, 2006

The Company is exempt from the requirements of Rule 15c3-3 under Section K(2)(ii) of the Rule.

TAYLOR SECURITIES, INC.

RECONCILIATION, INCLUDING APPROPRIATE EXPLANATION, OF THE
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-3 AND THE
COMPUTATION FOR DETERMINATION OF THE RESERVE REQUIREMENTS
UNDER EXHIBIT A OF RULE 15c3-3

SEPTEMBER 30, 2006

The net capital computed on Page 11 and the Company's computation of net capital on its September 30, 2006 Focus Report - Part IIA agree. As a result, no reconciliation is necessary.

The Company is exempt from the requirements of Rule 15c3-3 under Section K(2)(ii) of the Rule.

TAYLOR SECURITIES, INC.

RECONCILIATION BETWEEN THE AUDITED AND UNAUDITED
STATEMENTS OF FINANCIAL CONDITION
WITH RESPECT TO METHODS OF CONSOLIDATION

SEPTEMBER 30, 2006

Not applicable.

TAYLOR SECURITIES, INC.

MATERIAL INADEQUACIES FOUND TO EXIST OR FOUND TO
HAVE EXISTED SINCE THE DATE OF THE PREVIOUS AUDIT

SEPTEMBER 30, 2006

None

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL

Board of Directors
Taylor Securities, Inc.
Brentwood, Tennessee

In planning and performing our audits of the financial statements and supplemental schedules of Taylor Securities, Inc. (the "Company") for the years ended September 30, 2006 and 2005, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission ("SEC"), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications and comparisons and recordation of differences required by Rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.
3. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at September 30, 2006 and 2005, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the National Association of Securities Dealers, Inc. and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

KraftCPAs PLLC

Nashville, Tennessee
October 17, 2006